

## **Key Provisions of the FHA Modernization Act of 2007**

### ***Title I – Building American Homeownership Act of 2007***

1. **Loan Limits Increased:** Increases FHA single-family loan limits across the board, at both the high and low ends. Sets the limit at 100% of the median home price of an area (up from 95%), or the GSE conforming loan limit (currently \$417,000), whichever is lower. Increases the minimum loan limit to 65% of the GSE limit, which is sufficient to purchase a newly constructed home.
2. **Downpayment Requirements Reduced:** Lowers and streamlines the downpayment requirement to 1.5% from the current requirement of about 3%, depending on an assortment of factors. Sets the maximum loan amount in any individual case at 100% of the appraised value of the home.
3. **Streamlining:** Simplifies FHA requirements for condominiums and housing cooperatives so that FHA can be used more effectively to purchase individual units in a condominium development, including a manufactured housing condominium development.
4. **Home Equity Conversion Mortgage (HECM) Program:** Expands the HECM program. These are also known as reverse mortgages. HECMs allow seniors to convert equity into cash by taking out a mortgage where the lender pays the borrower either a lump sum or a monthly payment. The borrower makes no payments until the ownership of the home is transferred through sale or inheritance. The legislation sets one national loan limit equal to the GSE conforming loan limit (currently \$417,000). In addition, the legislation lowers the origination fee from 2% to 1.5%, a cut of 25%.
5. **Enhanced Counseling:** Creates a pre-purchase counseling demonstration to test the efficacy of a variety of counseling options. The bill also significantly expands eligibility for post-purchase counseling for low- and moderate-income homeowners who are having trouble making their mortgage payments.
6. **Alternative Credit Scoring Pilot Program:** Establishes a pilot program to test alternative automated credit rating systems for borrowers with “thin” credit histories. The pilot may include alternative credit rating information such as rental, utility, and insurance payments. This provision is intended to expand access to credit for borrowers who may have a history of making required payments on time, but have not established a sufficient credit record at traditional credit bureaus.

7. **Homeownership Preservation:** Requires the Secretary of HUD and the FHA Commissioner to work with industry, the Neighborhood Reinvestment Corporation, and other non-profits to improve the FHA loss mitigation process so that more troubled homeowners can retain their homes.
8. **Enhanced Fraud Protection:** Requires FHA to establish a screen to detect and prevent fraud, and increases the penalties for committing fraud against FHA.
9. **Technological Modernization:** Authorized \$25 million out of FHA's revenues to modernize the programs technology, improve its staffing, and other improvements.
10. **Multifamily Premium Freeze:** Prohibits HUD from raising FHA premiums, except to cover increased lending risks, for two years. This will prevent premiums from being increased simply to raise funds for other purposes.

## ***Title II – Manufactured Housing Loan Modernization Act of 2007***

1. **Restructures Insurance Program:** Changes FHA insurance for manufactured housing from a portfolio to loan-by-loan product. Increases the maximum upfront and annual premiums. Requires revision of underwriting criteria to ensure safety and soundness
2. **Increases Consumer Protections:** Applies the anti-kickback provisions of the Real Estate Settlement Procedures Act (RESPA) to FHA-insured manufactured housing loans. Requires the Secretary of HUD to prohibit unfair or deceptive practices that may be used in connection with FHA-insured manufactured housing loans. Finally, this section requires that manufactured homes that are financed with FHA insurance must be placed in manufactured home communities that provide lease terms of at least 3 years, renewable for successive 1 year terms. In addition, the section requires that the lessee of the home be provided with a notice of at least 180 days prior the closing of the manufactured home community.